

Message Text

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41

ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 EB-07 AGR-05 COME-00 STR-04

TRSE-00 TAR-01 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

OPIC-03 IGA-02 /091 W

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R 241100Z DEC 75

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 2168

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L GEORGETOWN 2179

EO 11652: GDS

TAGS: EINV GY

SUBJ: GOG-BOOKERS CONFRONTATION OVER 687 OF 10/7/75

1. I MET TODAY (12/23) WITH TREK EXPRESSED COMPANY'S GRAVE CONCERN OVER ITS DETERIORATING FINANCIAL CONDITION DUE SPECIFICALLY TO THE SUGAR LEVY. USING AS A POINT OF DEPARTURE RECENT LETTER HE SENT TO MINISTER OF FINANCE HOPE, ELLIS EXPRESSED DEEP DISAPPOINTMENT AT GOG'S LACK OF RESPONSE TO BOOKERS REQUEST FOR SOME RELIEF FROM SUGAR LEVY, RELIEF INCIDENTALLY WHICH GOG HAD PROMISED TO CONSIDER WHEN LEVY FIRST IMPOSED IN APRIL/MAY 1974. HE MADE IT QUITE CLEAR THAT SHOULD THIS NOT RPT NOT BE FORTHCOMING BOOKERS WOULD BE FORCED TO CUT BACK ON AGRICULTURAL INPUTS, THUS LEADING TO CROP REDUCTION AND POSSIBLE LAY-OFFS. BURNHAM'S REACTION SO FAR IS NON-COMMITAL. HE HAS AGREED TO MEET WITH ELLIS SHORTLY AFTER CHRISTMAS HOLIDAYS.

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2. COMMENT: BOOKERS AND GOG ARE ON A COLLISION COURSE.

IF IT ACCEDES TO COMPANY'S DEMAND FOR RELIEF ON 1975
LEVY (AND RESTRUCTURING OF LEVY RATE FOR 1976), GOG WILL
SUBSTANTIALLY REDUCE ITS REVENUE. WITHOUT RELIEF,
BOOKERS WILL HAVE TO BRING IN OFFSHORE FUNDS TO COVER
ITS 1975 OVERDRAFT (SOME US\$12.6 MILLION) AND TAKE
WHAT AMOUNTS TO POLITICALLY UNACCEPTABLE MEASURES TO
AVOID DRASTIC LOSSES IN 1976. BURNHAM CAN HARDLY
PERMIT COUNTRY'S MOST IMPORTANT INDUSTRY TO CEASE ITS
EXPANSION PROGRAM AND INDEED DECREASE OUTPUT. ALTHOUGH
A COMPROMISE SOLUTION TO LEVY ISSUE WOULD WE FEEL BE
IN BEST INTERESTS OF GUYANA'S ECONOMY, IT WOULD RUN
SOMEWHAT COUNTER TO CURRENT GOG POLICY OF STAMPING OUT
CAPITALISM. WHILE IN SPEECH DEC 14 AT INAUGURAL OF
COOPERATIVE VILLAGE, BURNHAM CAREFULLY SIDESTEPPEDAFOR FINAL NATIONAL-
IZATION OF SUGAR
INDUSTRY, PRESENT SITUATION, PLUS DEC 12 PASSAGE
CONSTITUTIONAL AMENDMENT REMOVING EXERCISE OF EMINENT
DOMAIN FROM COURT REVIEW ON APPEAL, COULD GIVECONVENIENT MECHANISM FOR
EARLY TAKEOVER
OF BOOKERS. ON OTHER HAND, GOG STILL HAS HANDS FULL
WITH ABSORPTION OF MUCH SMALLER DEMERARA COMPANY
SUGAR OPERATIONS, AND WORLD SUGAR PRICE CONTINUES TO
DRIFT DOWNWARD. LATTER FACTORS WILL PRESUMABLY
EXERT STRONG PULL TOWARDS ACCOMMODATION WITH
BOOKERS. ONE FORM THIS MIGHT POSSIBLY TAKE IS A
PHASED NATIONALIZATION; THAT IS IN RETURN FOR LEVY
REDUCTION GOG WOULD ASSUME EQUITY IN BOOKERS. THIS
WOULD OF COURSE REQUIRE BOOKERS COMMITMENT TO CONTINUE
ITS EXPANSION PROGRAM USING SOME OF REVENUE RELINQUISHED
BY GOG.
KREBS

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